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The Board of Directors of the Hummingbird Centre for the Performing Arts

Operating as "The Sony Centre for the Performing Arts"

2017 year-end report to the Finance, Audit and Risk Management Committee

Prepared as of May 18 2018

May 18, 2018

Members of the Finance, Audit and Risk Management Committee of the Board of Directors
The Sony Centre for the Performing Arts

Dear Members of the Committee:

We have substantially completed our audit of the financial statements of The Sony Centre for the Performing Arts (the organization or the Centre) prepared in accordance with Public Sector Accounting standards including standards that apply only to government not-for-profit organizations (PSAS +4200) for the year ended December 31, 2017. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 2. Our auditor's report is included as Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff of the organization who have assisted us in carrying out our work, and we look forward to our meeting on June 4, 2018. If you have any questions or concerns prior to the meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Michael Hawtin
Partner
Assurance

c.c.: William Milne, VP of Finance & Admin
Clyde Wagner, President and CEO Civic Theatres Toronto

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Communications to the Finance, Audit and Risk Management Committee

Key matters for discussion	*Comments*
Status of the audit	PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements). Significant outstanding items at time of mailing include the following: • subsequent events procedures; • legal updates; • signed management representation letter; and • review and approval of the financial statements by the Board of Directors.
Service deliverables	We performed audit of the organization's financial statements as of December 31, 2017 and for the year ended prepared in accordance with PSAS + 4200. Our engagement letter, which has been signed by the City of Toronto (the City), sets out the terms and conditions for the audit as the independent auditor of the Centre for the above-mentioned year.
Audit timeline	We worked with management to develop this project timeline: • Interim visit: October 10 - 13, 2017 • Year-end visit: April 2 - April 20, 2018 • Year-end Finance, Audit and Risk Management Committee meeting: June 4, 2018 • Delivery of financial statements: upon resolution of above items and Board of Directors approval
Audit approach	Our audit approach is a mixture of tests of internal controls and substantive testing. In the current year, our work included testing of key controls in the following areas: • Purchases, payables and disbursements; • Payroll; and • Revenue.
Materiality	Misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users of the financial statements. We set our materiality of $575,000 and reported unadjusted items over $28,750 to the Finance, Audit and Risk Management Committee as a result of the audit. See details in Appendix B.

Key matters for discussion	*Comments*
Significant accounting, auditing and reporting matters discussed with management	
Risk of fraud with respect to revenue recognition	Canadian auditing standards contain a "rebuttable presumption" that the risk of fraud with respect to revenue recognition be considered a significant risk on every audit engagement. Management recognizes revenue based on separate criteria per revenue stream as outlined in note 2 to the financial statements ensuring processes are in place to record revenue accurately and in the proper period. We selected a sample of revenue transactions for the year and agreed amounts recorded in the general ledger to supporting documentation, including Ticketmaster statements, dates of shows held during the year or other available evidence, to test for proper occurrence, completeness, cut-off and accuracy of the amounts recorded. Amounts deferred on the statement of financial position were also tested on a sample basis. We noted no exceptions as a result of our testing.
Risk of management override of controls	Canadian auditing standards require that the risk of material misstatement due to management override of controls be considered a significant risk on every audit engagement. We have assessed significant and non-standard manual journal entries recorded in the year and selected a sample of entries to test that the entries represent valid and appropriately authorized transactions. No exceptions were noted from our testing.
Related party transactions-City of Toronto	As a significant amount of activity occurs between the Centre and the City, we requested a confirmation from the City of all amounts received during the year and balances outstanding at the year-end. This includes funding received, trade receivable or payable balances, the Facility Fee Reserve fund balance, Capital Works Program funding and the Stabilization Reserve fund balance. We received an independent confirmation from the City of Toronto confirming the transactions and balances between City of Toronto and the Centre at year-end and were able to fully reconcile the amounts per confirmation to the financial statements. We have reviewed the financial statements note disclosure with respect to the relationship, transactions and balances with the City and have no matters to report.
Other asset - Update	As reported to you previously, the Centre was subject to a Canada Revenue Agency (CRA) audit in the prior year and, as a result of the audit, management became aware that there is a dispute relating to ownership of the condo classified as an 'other asset' on the statement of financial position with a recorded amount of $560k. The condo was donated to the Centre by a developer in a prior year.

Key matters for discussion	*Comments*
	This developer has also halted payments on other balances owing to the Centre totaling $200k at year-end. As communicated to you last year as part of the 2016 audit, the Centre was informed by the developer that they would settle the matter for a cash payment to the Centre in the amount of $666,111, representing the appraised value of the condo at December 2016. In March 2018, the donor honored his commitment and provided a cheque to the Centre for $666,111.
Other required communications	
Summary of unadjusted items	As a result of our audit, we identified certain unadjusted misstatements. See details provided in Appendix B. We did not identify any adjusted misstatements.
Internal control recommendations	During the audit, we did not note any significant internal control deficiencies. Our internal control recommendations are summarized in Appendix C.
Fraud and illegal acts	We discuss fraud risk annually with management and the Finance, Audit and Risk Management Committee. Through our planning process (and prior years' audits), we developed an understanding of your oversight processes and have designed our audit procedures to address these risks. No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures. We wish to confirm that the Finance, Audit and Risk Management Committee is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter has been circulated separately to the Finance, Audit and Risk Management Committee.
Subsequent events	No subsequent events which would impact the financial statements other than those disclosed have come to our attention. We would like to confirm that the Finance, Audit and Risk Management Committee is not aware of any other subsequent events that might affect the financial statements.

Appendix A: Auditor's report

June @@, 2018

Independent Auditor's Report

To the Members of
The Board of Directors of the Hummingbird Centre for the Performing Arts
(operating as the Sony Centre for the Performing Arts)

We have audited the accompanying financial statements of The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts), which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in net assets (liabilities) and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts) as at December 31, 2017 and the results of its operations, the changes in its net assets (liabilities) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Appendix B: Summary of unadjusted items

As a result of our audit, we have noted the following items with an impact on the statement of financial position and the statement of operations and changes in net assets.

Description	*Assets Dr/(Cr) $*	*Liabilities Dr/(Cr) $*	*Net assets Dr/(Cr) $*	*Excess of expenses over revenues Dr/(Cr) $*
Current year unadjusted misstatements:				
To back out TCA's capital assets and underlying depreciation funded by Sony's FFRF and recorded in Sony's GL				
Dr. Revenue -amortization of deferred capital contributions				8,924
Dr. Deferred contributions		80,311		
Dr. Capital assets - accumulated depreciation	8,924			
Cr. Capital assets	(89,235)			
Cr. Depreciation expense				(8,924)
To back out TCA's capital assets recorded in Sony's GL				
Dr. Accounts receivable - TCA	50,065			
Dr. Capital assets - accumulated depreciation	10,013			
Cr. Capital assets	(50,065)			
Cr. Depreciation expense				(10,013)
To back out St. Lawrence's capital assets recorded in Sony's GL				
Dr. Accounts receivable - STLC	25,507			
Dr. Capital assets - accumulated depreciation	6,377			
Cr. Capital assets	(25,507)			
Cr. Depreciation expense				(6,377)
Unadjusted misstatement(s) rolled forward from prior periods:				
To record loan payable to Sodexo, which was accounted for incorrectly classified in a prior period				
Dr. Due from City of Toronto		57,500		
Cr. Loan payable		(57,500)		
Total:	**(63,921)**	**80,311**	**-**	**(16,390)**

Appendix C: Internal control recommendations

Internal control observation	***Recommendation***	***Management's response***
Review of journal entries: *During the audit, we noted certain instances where manual entries were prepared and posted by the same individuals. A secondary review or approval was not obtained from another staff member or supervisor before posting to the general ledger.* *Absence of a review of manual entries prior to posting increases the possibility of error and/or fraud and can lead to inaccurate financial records.*	*We recommend that all entries pass through a proper preparation and review process where accounting staff prepare entries and the CFO or Senior Accountant review entries before they are posted to the general ledger.*	*A process in now in place that either the Director of Finance or VP of Finance & Administration will sign off on all journal entries before posting.*

[CLIENT LETTERHEAD]

June [•], 2018

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto ON M5J 0B2

Attn: Michael Hawtin

We are providing this letter in connection with your audit of the financial statements of The Board of Directors of the Hummingbird Board for the Performing Arts (the Board) operating as the Sony Centre for the Performing Arts (we, us, our) as at December 31, 2017 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, the results of operations, and the cash flows of the Board in accordance with Canadian public sector accounting standards.

Management's responsibilities
We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 13, 2017. In particular, we confirm to you that:

- we are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- we are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information;
- we have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations subject to the fact that each part of each such representation is being confirmed to the best of our knowledge:

Preparation of financial statements
The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the Board is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intergovernmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies
We confirm that we have reviewed our accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in our particular circumstances to present fairly in all material respects its financial position, the results of operations, and cash flows in accordance with Canadian public sector accounting standards. We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook sections PS 4200 to PS 4270.

Internal controls over financial reporting
We have designed disclosure controls and procedures to ensure material information relating to the Board is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Minutes
All matters requiring disclosure to or approval of the Board of Directors have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions
All contractual arrangements entered into by the Board with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud
We have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all information in relation to fraud or suspected fraud of which we are aware affecting the Board involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- all information in relation to any allegations of fraud, or suspected fraud, affecting the Board's financial statements, communicated by employees, former employees, analysts, regulators or others.

Disclosure of information
We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
  - contracts and related data;
  - information regarding significant transactions and arrangements that are outside the normal course of business;
  - minutes of the meetings of shareholders, management, directors and committees of directors;
- additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations
We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Board's directors, officers or employees acting on the Board's behalf.

Accounting estimates and fair value measurements
Significant assumptions used by the Board in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- the measurement methods are appropriate and consistently applied;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the Board's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Sections PS 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties
We confirm that we have disclosed to you the identity of the Board's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 4260, *Disclosure of Related Party Transactions by Not-for-Profit Organizations*, and all the related party relationships and transactions.

The identity of, relationship, balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements.

The list of related parties attached to this letter as Appendix A accurately and completely describes the Board's related parties and the relationships with such parties.

Going concern
We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Assets and liabilities
We have satisfactory title or control over all assets. All liens or encumbrances on the Board's assets and assets pledged as collateral, to the extent material, have been disclosed in notes to the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the Board is contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300*, Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims
All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit
Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the financial statements, as summarized in the accompanying schedule (Appendix B), are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

We confirm there are no adjusted misstatements in the financial statements.

Events after balance sheet date
We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have affected such adjustment or disclosure.

Cash and banks
The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Board.

All cash balances are under the control of the Board, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the Board.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Board are included in the financial statements as at December 31, 2017.

Statements of operations, changes in net assets (liabilities) and remeasurement gains and losses
All transactions entered into by the Board have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations and statement of changes in net assets (liabilities) and remeasurement gains and losses.

The accounting principles and policies followed throughout the year were consistent with prior year's practices (except as disclosed in the financial statements).

Accounts receivable
All amounts receivable by the Board were recorded in the books and records.

Receivables classified as current do not include any material amounts that are collectible after one year.

Receivables recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts.

All receivables were free from hypothecation or assignment as security for advances to the Board, except as hereunder stated.

Credit risk
The following information about each class of financial asset, both recognized and unrecognized, has been properly disclosed in the financial statements:

- amount of the maximum credit risk exposure without regard to collateral; and
- significant concentrations of credit.

Other assets
We confirm that other asset of $559,534 is appropriately valued in accordance with Canadian public sector accounting standards. We also confirm that classification as long term assets is appropriate.

Capital assets
All charges to capital asset accounts represented the actual cost of additions or the fair value at the date of contribution.

All contributed capital assets have been recorded at fair value at the date of the contribution.

No significant capital asset additions were charged to repairs and maintenance or other expense accounts.

Carrying values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Capital assets owned by the Board are being depreciated on a systematic basis over their estimated useful lives and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering property leased by or from the Board have been disclosed to you and classified in accordance with CPA Canada Public Sector Accounting Handbook Guideline PSG-02, *Leased Tangible Capital Assets*.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

There have been no events or changes in circumstances that indicate that any tangible capital assets no longer have any long-term service potential to the Board. Accordingly management was not required to write down any tangible capital assets to their residual values, if any, during the period.

HST - Input tax credits
The Board is subject to HST and has appropriately computed the input tax credits (ITC) receivable on the payment on HST on purchases throughout the year. The 'net tax method for charities' has been used to compute tax credits and the related receivable in the financial statements is complete and accurate.

Funds of the Board held at the City of Toronto
The Board has various funds, as disclosed in note 3 of the financial statements, with the City of Toronto. We confirm that the transactions and balances disclosed are complete and accurate and all amounts have been agreed to and confirmed with the City of Toronto.

Financial instruments
The Board has decided to apply PS 3450 for financial instruments. All financial instruments have been appropriately recognized under PS 3450 and all disclosures made are appropriate.

Deferred revenue and deferred contributions
All material amounts of deferred revenue and deferred contributions were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and terminations benefits
All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The Board does not plan to make frequent amendments to the pension or other post-retirement benefits plans.

Yours truly,

The Board of Directors of the Hummingbird Board for the Performing Arts (Operating as the Sony Centre for the Performing Arts)

____
Clyde Wagner, President and Chief Executive Officer

____
William Milne, Vice President of Finance & Administration

Appendix A – List of related parties

Board Members:

- ☐ Councilor Gary Crawford
- ☐ Councilor Mary Fragedakis
- ☐ Councilor Paula Fletcher
- ☐ Councilor Lucy Troisi
- ☐ Councilor John Filion
- ☐ Robert Foster
- ☐ Kevin Garland
- ☐ Steven Levin
- ☐ Ira Levine
- ☐ Warren Rudick
- ☐ Seth Zuk
- ☐ Kathleen Sharpe
- ☐ Charles Smith
- ☐ Sandra Laronde
- ☐ Paul Bernards

***Senior Management:**

- Clyde Wagner, President & CEO
- Mark Hammond, VP of Programming
- William Milne, VP of Finance & Admin
- Mary Ann Farrell, VP of Marketing & Communications
- Matt Farrell, VP of Operations
- E.J. Alon, Senior Director of Development
- Martha Haldenby, Senior Director of Development

*Although not explicitly listed, immediate family members are considered included as related parties by this reference.

CITY OF TORONTO

Agencies and Corporations:
- Board of Governors of Exhibition Place
- Toronto Board of Health
- Board of Management of the Toronto Zoo
- Toronto Community Housing Corporation ("TCHC")
- Build Toronto Inc.
- Toronto Licensing Commission
- Casa Loma Corporation
- Toronto Pan Am Sports Centre Inc. ("TPASC")
- Heritage Toronto (50% proportionately)
- Invest Toronto Inc.
- Toronto Police Services Board
- Lakeshore Arena Corporation
- Toronto Public Library Board
- St. Lawrence Centre for the Arts
- Toronto Transit Commission ("TTC")
- The North York Performing Arts Centre
- Toronto Waterfront Revitalization Corporation Corporation ("TWRC") (1/3rd proportionately)
- The Sony Centre for the Performing Arts
- Yonge–Dundas Square
- Toronto Atmospheric Fund ("TAF")

Arenas:
- Forest Hill Memorial
- Moss Park
- George Bell
- North Toronto Memorial
- Leaside Memorial Community Gardens
- Ted Reeve Community
- McCormick Playground
- William H. Bolton

Community Centres:
- 519 Church Street
- Eastview Neighbourhood
- Applegrove
- Harbourfront
- Cecil Street
- Ralph Thornton
- Central Eglinton
- Scadding Court
- Community Centre 55
- Swansea Town Hall

Business Improvement Areas:
- Albion Islington Square
- Baby Point Gates
- Bloor Annex
- Bloor By The Park
- Bloor Street
- Bloor West Village
- Bloor Yorkville
- Bloorcourt Village
- Bloordale Village
- Cabbagetown
- Chinatown
- Church Wellesley Village
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Duke Heights
- Dundas West
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Marketo District
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Ossington Avenue
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market
- Yonge and St. Clair

Neighbourhood
- The Beach
- The Danforth
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment

District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Village
- Wychwood Heights
- Yonge Lawrence Village
- York Eglinton

Appendix B – Summary of uncorrected misstatements (SUM)

Description	*Assets Dr/(Cr) $*	*Liabilities Dr/(Cr) $*	*Net assets Dr/(Cr) $*	*Excess of expenses over revenues Dr/(Cr) $*
Current year unadjusted misstatements:				
To back out TCA's capital assets and underlying depreciation funded by Sony's FFRF and recorded in Sony's GL				
Dr. Revenue -amortization of deferred capital contributions				8,924
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Cr. Loan payable		(57,500)		
Total:	**(63,921)**	**80,311**	**-**	**(16,390)**

The Board of Directors of the Hummingbird Centre for the Performing Arts

(operating as the Sony Centre for the Performing Arts)

Financial Statements
December 31, 2017

June @@, 2018

Independent Auditor's Report

To the Members of
The Board of Directors of the Hummingbird Centre for the Performing Arts
(operating as the Sony Centre for the Performing Arts)

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Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Board of Directors of the Hummingbird Centre for the Performing Arts (operating as the Sony Centre for the Performing Arts) as at December 31, 2017 and the results of its operations, the changes in its net assets (liabilities) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

DRAFT

The Board of Directors of the Hummingbird Centre for the Performing Arts

(operating as the Sony Centre for the Performing Arts)
Statement of Financial Position
As at December 31, 2017

	2017 $	2016 $
Assets		
Current assets		
Cash	4,016,289	4,916,060
Accounts receivable	1,082,353	650,804
Due from City of Toronto		
Facility Fee Reserve Fund (notes 3 and 4)	348,426	356,291
Capital Program - State of Good Repair	1,162,437	757,488
Prepaid expenses	64,091	159,975
	6,673,596	6,840,618
Capital assets (note 5)	1,732,861	1,869,826
Art collection	28,950	28,950
Other asset (note 6)	559,534	559,534
	8,994,941	9,298,928
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	2,781,952	1,801,211
Due to City of Toronto		
Operating surplus (note 4)	337,817	6,340
Surcharge payable	77,187	25,347
Trade payables	341,021	41,531
Loan payable (note 5)	85,000	85,000
Deferred revenue	1,047,292	1,904,899
Advance ticket sales	2,799,113	3,687,077
	7,469,382	7,551,405
Loan payable (note 5)	170,000	255,000
Deferred capital contributions (note 8)	1,227,883	1,472,693
	8,867,265	9,279,098
Unrestricted net assets		
Accumulated net surplus	127,676	19,830
	8,994,941	9,298,928

Commitments and contingencies (note 10)

Approved by the Board of Directors

_________________________ Director _________________________ Director

The accompanying notes are an integral part of these financial statements.

DRAFT

The Board of Directors of the Hummingbird Centre for the Performing Arts

(operating as the Sony Centre for the Performing Arts)

Statement of Operations and Changes in Net Assets (Liabilities)

For the year ended December 31, 2017

	2017 Budget $	2017 Actual $	2016 Actual $
Revenue			
Operating			
Performance	8,173,035	5,239,902	2,275,890
Rental	4,538,939	6,234,967	4,835,641
Ancillary	4,280,320	5,522,605	4,593,811
Other recoveries	-	418,787	397,097
Interest and other	20,127	64,080	41,983
Transfer from Facility Fee Reserve Fund	-	77,672	-
City of Toronto subsidy	1,707,486	1,707,485	1,732,100
Amortization of deferred capital contributions (note 8)	-	360,601	316,416
	18,719,907	19,626,099	14,192,938
Expenses			
Operating			
Salaries, wages and benefits (note 7)	7,570,510	8,555,812	6,512,820
Presentation and production	6,115,641	4,170,267	2,033,008
Ancillary	1,777,369	1,942,645	1,870,141
Building operations	1,365,516	1,759,120	1,287,680
Transfer to Facility Fee Reserve Fund	976,945	1,261,503	970,834
Program services	473,716	346,076	424,868
Administration	440,210	769,436	780,332
Amortization of capital assets	-	381,577	322,541
	18,719,907	19,186,436	14,202,224
Excess (deficiency) of revenue over expenses before the following	-	439,663	(9,286)
Gain (loss) on disposal of capital assets (note 5)	-	6,000	(168,181)
Writeoff of deferred capital contributions on disposal of assets	-	-	177,681
Excess of revenue over expenses before transfer to City of Toronto	-	445,663	214
Transfer to City of Toronto (note 4)	-	(337,817)	(6,340)
Excess (deficiency) of revenue over expenses for the year	-	107,846	(6,126)
Art collection	-	-	28,950
Unrestricted net assets (liabilities) - Beginning of year	-	19,830	(2,994)
Unrestricted net assets - End of year	-	127,676	19,830

The accompanying notes are an integral part of these financial statements.

DRAFT

The Board of Directors of the Hummingbird Centre for the Performing Arts

(operating as the Sony Centre for the Performing Arts)

Statement of Cash Flows

For the year ended December 31, 2017

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	107,846	(6,126)
Add (deduct): Non-cash items		
Amortization of deferred capital contributions	(360,601)	(316,416)
Amortization of capital assets	381,577	322,541
Loss (gain) on disposal of capital assets	(6,000)	168,181
Writeoff of deferred capital contributions on disposal of assets	-	(177,681)
	122,822	(9,501)
Net change in non-cash working capital balances (note 9)	(417,688)	1,927,918
	(294,866)	1,918,417
Investing activities		
Purchase of capital assets	(244,612)	(450,647)
Proceeds on sale of capital assets	6,000	9,500
	(238,612)	(441,147)
Financing activities		
Repayments to City of Toronto	(397,084)	(35,577)
Repayment of loan payable	(85,000)	(85,000)
Contributions received for capital asset purchases	115,791	450,647
	(366,293)	330,070
Increase (decrease) in cash during the year	(899,771)	1,807,340
Cash - Beginning of year	4,916,060	3,108,720
Cash - End of year	4,016,289	4,916,060

The accompanying notes are an integral part of these financial statements.

1 Operations and relationship with the City of Toronto

The Board of Directors of the Hummingbird Centre for the Performing Arts (the board), carrying on business as the Sony Centre for the Performing Arts, is continued as a city board pursuant to the provisions of the City of Toronto Act, 2006. The board is a body corporate, and its purposes are the operation, management and maintenance of the City of Toronto (the city) owned theatre known as the Sony Centre for the Performing Arts (the centre), as a theatre and auditorium and as a centre for meetings, receptions and displays, on behalf of the city.

The city is responsible for the board's operating deficits and is entitled to its operating surpluses. The board may not borrow money without the approval of City Council. The board has an operating line of credit with the city not to exceed $1,250,000 repayable before December 31 in any year.

The board is a registered charitable organization and, as such, can issue tax receipts and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2 Summary of significant accounting policies

The financial statements of the board have been prepared by management in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that only apply to government not-for-profit organizations. The significant accounting policies are summarized below.

Revenue recognition

The board follows the deferral method of accounting for contributions. Contributions, including grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Externally restricted contributions for amortizable capital assets are deferred and amortized over the life of the related capital asset. Performance and rental revenues are recognized on the date of the attraction or event. Ancillary revenues are generally recognized at the point of sale.

Deferred revenue consists of the board's advance ticket sales for its presentations, unredeemed gift certificates, sponsorship revenue and donation revenue for which no tax receipt has been issued attributable to future periods of benefit.

Cash

Cash represents cash on hand and cash at the bank.

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Stage equipment	10 years
Computer equipment	4 years
Other equipment	5 years
Furniture	5 years

Expenditures for chattel assets are capitalized and amortized over the period of their useful lives, and funding is provided through the Facility Fee Reserve Fund (FFRF). Leasehold improvements are owned by the city and are recorded in the financial statements of the city.

The board reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the board. The impairment loss, if any, is the excess of the carrying value over any residual value. The board writes down the cost of its capital asset when it can objectively estimate a reduction in the value of the asset's service potential to the board and has persuasive evidence that the reduction is expected to be permanent in nature. The capital asset would be written down to the revised estimate of the value of the asset's remaining service potential to the board. Writedowns are not subsequently reversed.

Major facilities of the centre, including the land and building in which the board operates, are recorded in the accounts of the city. Expenditures for significant leasehold improvements to the building are charged to the city's capital works program and the corresponding funding is withdrawn from the State of Good Repair Fund. These assets are owned by the city and are recorded in the accounts of the city and are therefore not recorded as assets of the board.

Financial instruments

The board's financial instruments included in the statement of financial position are comprised of cash, accounts receivable, accounts payable and accrued liabilities, loan payable and amounts due to/from City of Toronto. The financial instruments are initially measured at fair value and subsequently measured at amortized cost.

For certain financial instruments, including cash, accounts receivable and accounts payable and accrued liabilities, the carrying values approximate their fair values due to their short-term maturities.

All financial instruments are assessed annually for impairment. When a financial asset is impaired, impairment losses are recorded in the statement of operations and changes in net assets (liabilities). A writedown is not subsequently reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Contributed materials and services

Contributed materials are recognized as received only when the fair value of the material can be determined, and the goods and services would otherwise have been purchased. The board currently does not have contributed services.

Leases

Operating lease costs are recognized as an expense on a straight-line basis over the life of the lease.

Employee benefit plan

The employee benefit plan is the multi-employer pension plan (note 7). The board has adopted the following policies with respect to employee benefit plans:

- the board's contributions to a multi-employer defined benefit pension plan and to deferred retirement savings plans are expensed when contributions are due; and
- the costs of termination benefits and compensated absences are recognized when the board is demonstrably committed to either terminate the employment of an employee or group of employees, or to provide termination benefits as a result of an offer to encourage voluntary termination. Costs include projected future compensation payments, fees paid for career counselling and accrued benefits.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at the rates prevailing at the transaction dates. Revenue and expenses are translated at the exchange rates on the date of the transaction. There were no unrealized exchange gains and losses; therefore, a statement of remeasurement gains and losses has not been presented.

Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3 Funds of the board held at the city

Stabilization Reserve Fund

The board has an agreement with the city that established in the accounts of the city a Stabilization Reserve Fund. Under the operating agreement with the board, the city is entitled to the operating surpluses of the board and is responsible for the board's deficits in any year. In certain years since 1996, the board has been allowed by the city to transfer its operating surplus into the Stabilization Reserve Fund for the purpose of putting surpluses aside in better years in order to offset deficits in other years. The last such transfer of operating income into the Stabilization Reserve Fund allowed by the city was in 2004. Amounts maintained in the fund are not interest bearing.

As at December 31, 2017, the balance in the Stabilization Reserve Fund is $166,718 (2016 - $166,718).

Facility Fee Reserve Fund (FFRF)

In October 2011, the city updated its administrative amendments to the board's FFRF. Contributions to the FFRF can now include: the Facility Fee surcharge, which is applied to most tickets sold for attractions at the centre at a rate determined by the board; capital salvage; corporate and naming right contributions for a capital purpose; developer capital contributions; other recoveries of a capital nature; and any other contributions directed by City Council. The FFRF is banked by the city and is recorded on the city's books.

The changes in the fund are as follows:

	2017 $	2016 $
Balance - Beginning of year	1,128,019	846,265
Revenue from ticket capital surcharge	831,432	555,425
Proceeds from sale of capital assets	6,000	9,500
Investment income	7,309	5,176
Proceeds from Name-In-Title sponsor	416,762	400,733
Building maintenance and repairs expenditures	(182,695)	(92,252)
Chattel asset purchases	(267,871)	(596,828)
Balance - End of year	1,938,956	1,128,019

4 Related party transactions

Due from City of Toronto - Facility Fee Reserve Fund

The FFRF can be used to fund maintenance, state of good repair, heritage preservation and renovation of the theatre as well as repayment of advances and/or loans - principal and interest - made by the city to the board (note 3). The total amount expended in 2017 was $450,566 (2016 - $689,080), of which $93,426 is due from the FFRF as at December 31, 2017 (2016 - $16,291). A further $255,000 is due from the FFRF (2016 - $340,000), but has not been drawn as at December 31, 2017, as part of a multi-year sponsorship arrangement.

Intercompany expenses and payables

In the normal course of operations, the board incurs costs for various expenses payable to the city such as legal and other administration expenses. In addition, the city has agreed to cover certain salary costs related specifically to the board's renovation plan, which are included in other recoveries in the statement of operations and changes in net assets (liabilities). Transactions between the city and the board are made at the agreed on exchange amount.

As part of the terms of the agreement between the board and the city, any operating excess (deficiency) is to be transferred to or recovered from the city. The amount of the transfer of the operating excess (deficiency) to (from) the city is based on excess (deficiency) of revenue after adjustments for non-cash items.

The transfer of operating excess of revenue is calculated as follows:

	2017 $	2016 $
Excess of revenue over expenses for the year before transfer to the City of Toronto	445,663	29,164
Add (deduct): Non-cash and other items		
Amortization of deferred capital contributions	(360,601)	(316,416)
Amortization of capital assets	381,577	322,541
Other items	(128,822)	(28,949)
Transfer to City of Toronto	337,817	6,340

The amount payable as at December 31, 2017 is included in due to City of Toronto - operating surplus balance on the statement of financial position. The receivable/payable from/to the city is non-interest bearing. The fair value of this receivable/payable cannot be reasonably determined as there are no fixed terms of repayment.

5 Capital assets

			2017
	Cost $	Accumulated amortization $	Net $
Stage equipment	2,496,422	1,202,729	1,293,693
Computer equipment	1,847,822	1,523,520	324,302
Other equipment	633,872	528,526	105,346
Furniture	482,433	472,913	9,520
	5,460,549	3,727,688	1,732,861

			2016
	Cost $	Accumulated amortization $	Net $
Stage equipment	2,392,038	999,249	1,392,789
Computer equipment	2,058,618	1,702,247	356,371
Other equipment	583,808	491,700	92,108
Furniture	482,432	453,874	28,558
	5,516,896	3,647,070	1,869,826

During 2017, the board disposed of capital assets with an original cost of $300,959 (2016 - $1,325,878) and accumulated amortization of $300,959 (2016 - $1,148,197). The cost and related accumulated amortization have been removed from the financial statements. Proceeds from the disposal of assets in 2017 were $6,000 (2016 - $9,500).

In 2015, the board approved an equipment purchase with a third party vendor, which was funded partly by an interest free loan provided by the vendor in the amount of $505,000 with the remainder being paid by the board in kind through provision of services over the repayment period of the loan. The terms of the agreement specified that the loan is to be repaid through an initial payment of $80,000 and equal annual instalments of $85,000 over five years beginning on July 20, 2016. The loan payable as at December 31, 2017 is $255,000 (2016 - $340,000).

6 Other asset

In 2007, the board was the recipient of the right, title and interest in the Purchase Agreement and Deposit of a condominium unit as a charitable donation. The intention of the board was to resell the condominium unit at a time that maximized value.

In March 2016, the board received notice from the donor that the unit was unavailable for transfer to the board. In March 2016, the donor indicated its intention to honour the original agreement and was in discussions with the board on how this could be satisfied.

In March 2018, the donor honored his commitment to the board and paid cash in the amount of $666,111 representing the fair market value of the condominium unit as at December 31, 2017.

7 Employee benefits

The board makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer pension plan, on behalf of many of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service, pension formula and best 60 months of earnings. Employees and employers contribute equally to the plan.

Because OMERS is a multi-employer pension plan, any pension plan surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees. As a result, the board does not recognize any share of the OMERS pension surplus or deficit, as the amount is not determinable. Employers' current service contributions to the OMERS pension plan in the amount of $448,900 (2016 - $329,175) were expensed and are included in salaries, wages and benefits.

In addition to other than continuous full-time offers to participate in the OMERS plan, the board has arrangements with bargaining units to make contributions to registered retirement savings plans on behalf of its employees. Contributions in the amount of $169,393 (2016 - $98,490) were expensed and are included in salaries, wages and benefits.

8 Deferred capital contributions

Deferred capital contributions represent unamortized amounts of capital contributions. The board follows the deferral method of accounting for restricted contributions received. These contributions comprise capital assets donated by corporations, the board's FFRF and contributions in-kind. The most significant sources of the balance are contributions from the city's Capital Reserve Fund. The changes in deferred capital contributions during the year are as follows:

	2017 $	2016 $
Balance - Beginning of year	1,472,693	1,516,143
Amortization of deferred capital contributions	(360,601)	(316,416)
Writeoff of deferred capital contributions	-	(177,681)
Contributions restricted for the purchase of capital assets	115,791	450,647
Balance of deferred capital contributions	1,227,883	1,472,693

Included in the contributions received during the year is $115,791 (2016 - $450,647) to fund chattel asset purchases (note 5).

9 Statement of cash flows

The net change in non-cash working capital balances related to operations consists of the following:

	2017 $	2016 $
Accounts receivable	(431,549)	(147,554)
Prepaid expenses	95,884	(68,412)
Accounts payable and accrued liabilities	980,741	534,167
Due to/from City of Toronto		
Operating surplus - current fiscal year	331,477	24,141
Trade payables	299,490	(813,689)
Surcharge payable	51,840	25,347
Deferred revenue	(857,607)	626,735
Advance ticket sales	(887,964)	1,747,183
	(417,688)	1,927,918

10 Commitments and contingencies

Leases

The centre is committed under the terms of equipment operating leases approximately as follows:

	$
2018	7,180
2019	7,180
2020	7,180
2021	7,180
2022	7,180
2023	3,470
	39,370

Contingencies

From time to time, the board is named in lawsuits relating to its activities. These claims are at various stages and, therefore, it is not possible to determine the merits of these claims or to estimate the possible financial liability, if any, to the board. Accordingly, no material provisions have been made for loss in these financial statements, but in management's view, these claims should not have a material adverse effect on the financial position of the board.

11 Financial risk management

The main risks to which the board's financial instruments are exposed are as follows.

Foreign exchange risk

Foreign exchange risk is the risk due to fluctuations in foreign exchange prices. Realized exchange losses of $1,028 are included in the statement of operations and changes in net assets (liabilities) for the year ended December 31, 2017 (2016 - gain of $8,569).

The board is exposed to gains/losses that arise with respect to the degree of volatility of foreign exchange rates. The board believes it has a low exposure to foreign exchange risk given the value of its foreign denominated assets.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounts that are receivable result in exposure to credit risk since there is a risk of counterparty default. The board provides for an allowance for doubtful accounts to absorb potential credit losses where required. As at December 31, 2017, four accounts represent 73% of the total accounts receivable balance (2016 - three accounts represent 67%).

The board believes it has moderate exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the inability of an entity to meet its current obligations from proceeds of current assets.

The board manages its liquidity risk by forecasting cash flows from operations and other activities and maintains credit facilities with the city to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

The board believes it has moderate exposure to liquidity risk given the value of the accounts payable and accrued liabilities, deferred revenue and advance ticket sales.

12 Merger of theaters

In 2015, the city mandated a merger of the three city owned theatres (Sony Centre for the Performing Arts, (Sony Centre), St. Lawrence Centre for the Arts and Toronto Centre for the Arts; collectively Civic Theatres Toronto (CTT)).In December 2017, the city Council passed a motion whereby Sony Centre would assume the operations of the St. Lawrence Centre, the Toronto Centre for the Arts and CTT. Effective January 1, 2018, Sony Centre would be renamed Civic Theatres Toronto and the three individual boards were also dissolved. As a result of the merger, the board expensed $528,898 in transition costs, reflected across various departments.